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1	S.12
2	Introduced by Senators Benning, Collamore, Brock, Ingalls, Mazza, Parent
3	and Terenzini
4	Referred to Committee on
5	Date:
6	Subject: Taxation; income tax; exemption; military retirement pay
7	Statement of purpose of bill as introduced: This bill proposes to exempt U.S.
8	military retirement pay from Vermont personal income tax. The exemption
9	would be phased in over two years, so that in taxable year 2021, half of
10	federally taxable military retirement pay would be exempted. Starting in
11	taxable year 2022, all taxable military retirement pay would be exempted from
12	Vermont personal income tax.
13 14	An act relating to exempting U.S. military retirement pay from Vermont income tax
15	It is hereby enacted by the General Assembly of the State of Vermont:
16	Sec. 1. 32 V.S.A. § 5811(21) is amended to read:
17	(21) "Taxable income" means, in the case of an individual, federal
18	adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

\* \* \*

1	(B) Decreased by the following items of income (to the extent such
2	income is included in federal adjusted gross income):
3	* * *
4	(iii) recapture of State and local income tax deductions not taken
5	against Vermont income tax; and
6	(iv) the portion of federally taxable benefits received under the
7	federal Social Security Act that is required to be excluded under section 5830e
8	of this chapter; and
9	(v) [Reserved.]
10	(vi) for taxable year 2021, one half of the amount of U.S. military
11	retirement pay subject to federal income tax; and
12	* * *
13	Sec. 2. 32 V.S.A. § 5811(21)(B) is amended to read:
14	(B) Decreased by the following items of income (to the extent such
15	income is included in federal adjusted gross income):
16	* * *
17	(iv) the portion of federally taxable benefits received under the
18	federal Social Security Act that is required to be excluded under section 5830e
19	of this chapter; and
20	* * *

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1	(vi) for taxable year 2021, one half of the amount of U.S. military
2	retirement pay subject to federal income tax for the taxable years beginning on
3	and after 2022, the amount of U.S. military retirement pay subject to federal
4	income tax; and
5	* * *
6	Sec. 3. 32 V.S.A. § 5813(g) is amended to read:
7	(g)(1) The statutory purpose of the exemption for military pay in
8	subdivisions 5823(a)(2) and (b)(3) of this title is to provide additional
9	compensation for military personnel in recognition of their service to Vermont
10	and to the country.
11	(2) The statutory purpose of the exemption for U.S. military retirement
12	pay subject to the federal income tax in subdivision 5811(21)(B)(vi) of this
13	title is to recognize the U.S. military service of Vermonters who derive part of
14	their income in the form of military retirement pay.
15	Sec. 4. EFFECTIVE DATES
16	(a) This section shall take effect on passage.
17	(b) Notwithstanding 1 V.S.A. § 214, Secs. 1 (taxable income definition)
18	and 3 (statutory purpose) shall take effect retroactively on January 1, 2021 and
19	shall apply to taxable years beginning on and after January 1, 2021.
20	(c) Sec. 2 (taxable income definition) shall take effect on January 1, 2022

and shall apply to taxable years beginning on and after January 1, 2022.